

NATIONAL GROCERS COMPANY, LIMITED

INCORPORATED IN HONG KONG

46th

ANNUAL REPORT

FISCAL YEAR ENDED APRIL 3, 1971

NATIONAL GROCERS COMPANY LIMITED





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NATIONAL GROCERS COMPANY, LIMITED

PRESIDENT'S REPORT TO SHAREHOLDERS

Your Directors submit herewith Consolidated Financial Statements for the 53-week fiscal year ended April 3, 1971 as reported on by Thorne, Gunn, Helliwell & Christenson, Auditors for the Company.

The sales of National Grocers Company, Limited and those for and on behalf of an affiliate company, Dunedin Investments Limited totalled \$217,291,360 in fiscal 1971 compared with a record volume of \$218,412,387 in the prior fiscal year.

Intense competition within the industry and an increase in uncontrollable costs in all operating departments has had an adverse effect on the trend of operating results in the whole grocery business.

The Company is continuing its all out efforts to improve its productivity by a constant and close control of expense and a fuller use of computerized systems for inventory and accounts receivable.

Last October the branch warehouse in Stratford was closed and the servicing of the territory was allocated to neighbouring branches in Kitchener, London, and Owen Sound. The implementation of a centralized computer operation in Toronto to serve branches over a telecommunication network was a major factor in making this change possible.

Dividends were paid at the rate of \$1.50 per share per annum on Preference shares and at the rate of 60¢ per share per annum on Common shares.

The Directors express their appreciation for the support of loyal customers and suppliers and for the faithful service rendered by the employees of the Company.

On Behalf of the Board of Directors

J. J. WILEY

President

Thorne,
Gunn,
Helliwell
& Christenson

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
NATIONAL GROCERS COMPANY, LIMITED

We have examined the consolidated balance sheet of National Grocers Company, Limited as at April 3, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the 53 weeks then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 3, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Gunn, Helliwell & Christenson

Toronto, Canada
June 8, 1971

Chartered Accountants

NATIONAL GROCERS COMPANY, LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME

	53 Weeks ended April 3, 1971	52 Weeks ended March 28, 1970
Net Sales	\$ 8,448,859	\$ 7,853,203
Rental revenue and management income	\$ 13,044,439	\$ 12,019,091
Income from operations before the undernoted items	\$ 2,744,455	\$ 2,693,043
Depreciation	992,510	1,072,716
Interest	8,768	12,300
Rentals on long term leases	699,513	451,721
Remuneration of directors and senior officers	192,174	191,951
	1,892,965	1,728,688
Income before undernoted items	851,490	964,355
Income taxes		
Current	448,179	479,060
Deferred	7,783	62,470
	455,962	541,530
	395,528	422,825
Interest of minority shareholders in net income of subsidiary company	29,999	32,902
Income before extraordinary item	365,529	389,923
Profit on sale of land and building, less deferred income taxes of \$146,514 related thereto	210,491	
Net income for the year	\$ 576,020	\$ 389,923
Earnings per common share		
Income before extraordinary item	\$.71	\$.75
Extraordinary item	.71	
Net income for the year	\$ 1.42	\$.75

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	53 Weeks ended April 3, 1971	52 Weeks ended March 28, 1970
Balance at beginning of year	\$ 16,387,553	\$ 16,410,103
Net income for the year	576,020	389,923
	\$ 16,963,573	\$ 16,800,026
Dividends on		
Preference shares	155,882	\$ 168,653
Common shares	177,511	177,511
Premium and tax on purchase for cancellation of preference shares	92,052	66,309
	425,445	412,473
Balance at end of year	\$ 16,538,128	\$ 16,387,553

NATIONAL GROCER
(INCORPORATED UNDER
AND SUBSIDIARIES)

CONSOLIDATED

ASSETS

CURRENT ASSETS	April 3, 1971	March 28, 1970
Cash	\$ 75,535	\$ 86,664
Accounts receivable	88,413	24,321
Receivable from Loblaw Groceterias Co., Limited	567,200	
Inventories at the lower of cost and estimated realizable value	384,702	381,508
Prepaid expenses	28,468	21,727
	<u>1,144,318</u>	<u>514,220</u>
RECEIVABLE FROM AFFILIATED COMPANY (note 2)	<u>9,544,860</u>	<u>10,048,060</u>
 OTHER ASSETS		
Mortgages and notes receivable	264,464	111,113
Receivable from Loblaw Groceterias Co., Limited (note 3)	1,338,300	
Investments, at approximate realizable value	3,063	3,063
	<u>1,605,827</u>	<u>114,176</u>
 FIXED ASSETS (note 4)		
Land, buildings and equipment, at cost	15,907,183	17,331,525
Less accumulated depreciation	8,853,745	8,621,593
	<u>7,053,438</u>	<u>8,709,932</u>
 EXCESS OF COST OF INVESTMENTS IN SUBSIDIARIES over underlying book values at dates of acquisition	<u>276,335</u>	<u>276,335</u>
	<u><u>\$ 19,624,778</u></u>	<u><u>\$ 19,662,723</u></u>

APPROVED BY THE BOARD

J. J. WILEY
..... Director

L. R. LEHMAN
..... Director

COMPANY, LIMITED

(THE LAWS OF ONTARIO)

COMPANIES

BALANCE SHEET

LIABILITIES

CURRENT LIABILITIES

	April 3, 1971	March 28, 1970
Bank advances	\$ 10,000	\$ 29,358
Accounts payable and accrued liabilities (note 5)	350,599	312,449
Dividends payable		85,991
Income and other taxes payable	63,749	159,472
	<u>424,348</u>	<u>587,270</u>
MORTGAGE PAYABLE, 7%, maturing June 1, 1973	7,013	12,347
DEFERRED INCOME TAXES	200,058	45,761
MINORITY INTEREST IN A SUBSIDIARY COMPANY	<u>162,779</u>	<u>132,780</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6)

Authorized

99,830 \$1.50 Cumulative preference shares, par value \$20,
redeemable at \$27.50 per share

300,000 Common shares without par value

Issued

99,830 Preference shares (1970, 110, 058 shares)	1,996,600	2,201,160
295,852 Common shares	295,852	295,852
	<u>2,292,452</u>	<u>2,497,012</u>
RETAINED EARNINGS	16,538,128	16,387,553
	<u>18,830,580</u>	<u>18,884,565</u>
	<u>\$ 19,624,778</u>	<u>\$ 19,662,723</u>

NATIONAL GROCERS COMPANY, LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	53 Weeks ended April 3, 1971	52 Weeks ended March 28, 1970
SOURCE OF FUNDS		
Income before extraordinary item	\$ 365,529	\$ 389,923
Items not involving current funds		
Depreciation	992,510	1,072,716
Interest of minority shareholders in net income of subsidiary company	29,999	32,902
Deferred income taxes	7,783	62,470
	<u>1,395,821</u>	<u>1,558,011</u>
Proceeds from sale of property	2,018,184	22,652
Reduction in receivable from affiliated company	503,200	287,054
Reduction of mortgages and notes receivable		5,237
	<u>3,917,205</u>	<u>1,872,954</u>
APPLICATION OF FUNDS		
Receivable from affiliated company on sale of operating assets, excluding fixed assets, less certain liabilities		10,335,114
Less non-working capital portion, other assets		<u>1,903,852</u>
		8,431,262
Purchase of fixed assets	997,195	1,260,482
Increase in mortgages and notes receivable	153,351	
Receivable from Loblaw Groceterias Co., Limited	1,338,300	
Payment of long term debt	5,334	9,993
Cost of preference shares purchased for cancellation	296,612	232,989
Dividends on		
Preference shares	155,882	168,653
Common shares	177,511	177,511
	<u>3,124,185</u>	<u>10,280,890</u>
Increase (decrease) in working capital position	793,020	(8,407,936)
Working capital (deficiency) at beginning of year	<u>(73,050)</u>	<u>8,334,886</u>
Working capital (deficiency) at end of year	<u>\$ 719,970</u>	<u>\$ (73,050)</u>

NATIONAL GROCERS COMPANY, LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

APRIL 3, 1971

1. **BASIS OF CONSOLIDATION**

The consolidated financial statements include the accounts of Gordons Super Markets Limited, a partly-owned subsidiary, and Bolton-Ellis-Weaver Limited, a wholly owned subsidiary.

2. **RECEIVABLE FROM AFFILIATED COMPANY**

At the commencement of the 1970 fiscal year National Grocers Company, Limited sold its operating assets, excluding fixed assets, less certain liabilities to an affiliated company for \$10,335,114. The receivable which is fully guaranteed by Loblaw Companies Limited, has been reduced by \$503,200 (1970, \$287,054) in the current fiscal year. The company operates as a wholesaler for and on behalf of the affiliated company.

3. **RECEIVABLE FROM LOBLAW GROCETERIAS CO., LIMITED**

Subsequent to the year end the company received three mortgages in settlement of the receivable as follows:

9% due May 13, 1974	\$ 388,000
9% due May 13, 1974	415,500
9% due May 13, 1975	534,800
	<u>\$ 1,338,300</u>

4. **FIXED ASSETS**

	April 3, 1971	March 28, 1970
Land	\$ 673,517	\$ 803,260
Buildings	6,440,710	8,095,281
Equipment	8,457,136	8,259,823
Leasehold improvements	335,820	173,161
	<u>15,907,183</u>	<u>17,331,525</u>
Less accumulated depreciation	8,853,745	8,621,593
	<u>\$ 7,053,438</u>	<u>\$ 8,709,932</u>

5. **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Included in accounts payable are amounts due to affiliated companies totalling \$157,479 (1970, \$130,189).

6. **CAPITAL STOCK**

During the year the company purchased for cancellation 10,228 preference shares.

7. **LONG TERM LEASES**

The company and its subsidiaries are obligated under long term leases (extending beyond five years from April 3, 1971) to pay aggregate minimum rentals (exclusive of taxes, insurance and other occupancy charges) as follows:

1972 - 1976	\$ 3,824,149
1977 - 1981	2,847,204
1982 - 1986	2,141,495
1987 - 1991	1,286,625
1992 - 1996	748,432
after 1996	857,720

DIRECTORS

J.J. Wiley, *Chairman*

R.H. Bainard

L.R. Lehman

P.S. Lennie

J.A. Medland, B.Comm., C.A.

A.C. Plater

B.H. Shelly, B.Comm.

EXECUTIVE OFFICERS

~~J. J. WILEY~~

~~*President and General Manager*~~

P. S. LENNIE

~~*Vice-President*~~

A. C. PLATER

Vice-President

~~B. H. SHELLY, B.COMM.~~

~~*Vice-President*~~

R. E. HACHBORN

Vice-President

L. R. LEHMAN

Secretary-Treasurer and Comptroller

~~D. E. McCANN~~

~~*Assistant Secretary-Treasurer*~~



**NATIONAL GROUP
AFFILIATES**

National serves Ontario and areas of Quebec

SERVICE BRANCHES

BELLEVILLE	LONDON	PETERBOROUGH
BRANTFORD	NEW LISKEARD	SAULT STE MARIE
CHATHAM	NIAGARA FALLS	SARNIA
COCHRANE	NORTH BAY	SUDBURY
GORE BAY	ORILLIA	TIMMINS
HAMILTON	OSHAWA	TORONTO
KAPUSKASING	OTTAWA	WINDSOR
KINGSTON	OWEN SOUND	
KITCHENER	PEMBROKE	

CASH AND CARRY DEPOTS

BELLEVILLE	LINDSAY	ST. CATHARINES
BRANTFORD	LONDON	ST. THOMAS
CHATHAM	MIDLAND	SARNIA
CORNWALL	NIAGARA FALLS	SAULT STE MARIE
GUELPH	NORTH BAY	SMITHS FALLS
HAMILTON (2)	ORILLIA	STRATFORD
HULL, P.Q.	OSHAWA	SUDBURY
KINGSTON	OTTAWA (2)	TIMMINS
KIRKLAND LAKE	PARRY SOUND	TORONTO (4)
KITCHENER	PEMBROKE	WELLAND
LACHUTE, P.Q.	PETERBOROUGH	WINDSOR

